

Deferred Compensation Preliminary Follow-up Report

Washington State Law Enforcement
Officers' and Fire Fighters' Plan 2
Retirement Board

August 23, 2006

Brief Summary

- Policy Issue
- Policy Options

Policy Issue: Employer Contributions

- Employer contributions as “Salary”
 - Guaranteed contributions are in
 - Matching contributions are out

Policy Options

- **Option 1:** Include employer contributions to a 457 deferred compensation plan as basic salary, except if in lieu of Social Security.

Policy Options

- **Option 2:** Include employer contributions to a 457 deferred compensation plan as basic salary, no exceptions.

Policy Options

- **Option 3:** Add 401(a) and 401(k) defined contribution plans to the definition of basic salary and include employer contributions from a 457, 401(a) or 401(k) deferred compensation plan as basic salary.

Costs

- Assumption:
 - Salaries increase uniformly across plan
- Results:
 - No rate increase
 - Budget impact

Costs

- Assumption:

- Salaries do not increase uniformly across plan, but increase only in FAS period

- Results:

- Rate increase of 41 basis points for every 1% increase in salary

Proposal Summary

- Include all employer contributions to a 457 plan as salary except for plans in lieu of Social Security.
- Include all employer contributions to a 457 plan as salary, no exceptions.
- Include all employer contributions to a 457, 401(a), or 401(k) plan as salary, no exceptions.

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Questions?